

TEKMAR GROUP PLC AUDIT COMMITTEE

TERMS OF REFERENCE

The audit committee (the " **Audit Committee**" "**Committee**") has been established as a board committee by the resolution of the board of directors of the Company (the "Board") passed on 14 June 2018 in order to establish formal and transparent arrangements for considering how the Board should apply the financial reporting and internal control principles of the Company and to maintain an appropriate relationship with the Company's auditors.

1.1 Membership

- 1.1.1 Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee in consultation with the Chairman of the Committee. The Committee shall be made up of at least two members.
- 1.1.2 All members of the Committee shall be independent non-executive directors who are independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement, at least one of whom shall have recent and relevant financial experience ideally with a professional qualification from one of the professional accountancy bodies.
- 1.1.3 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chairman of the Board, Chief Executive, Finance Director, other directors, the heads of risk, compliance and representatives from the finance function may be invited to attend all or part of any meeting as and when appropriate.
- 1.1.4 The finance director and a representative of the external auditors shall normally attend meetings of the Audit Committee.
- 1.1.5 At least once a year, the Audit Committee shall meet with the external auditors without the finance director or any other executive director present (except at the invitation of the Audit Committee).
- 1.1.6 The Chairman shall attend the Company's annual general meeting and shall be prepared to respond to any shareholder questions on the Audit Committee and its activities and responsibilities.
- 1.1.7 The external auditors will be invited to attend meetings of the Committee on a regular basis.
- 1.1.8 Appointments to the Committee shall be for a period of up to three years, which may be extended for two further three year periods, provided the director remains independent and continues to meet the criteria for membership of the Committee.
- 1.1.9 The Board shall appoint the Committee Chairman who shall be an independent non-executive director. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

1.2 Secretary

- 1.2.1 The Company Secretary or their nominee shall act as the Secretary of the Committee and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.
- 1.2.2 The Secretary shall also act as a co-ordinating intermediary between the Board and the Committee.

1.3 Quorum

The quorum necessary for the transaction of business shall be two members one of whom shall have recent and relevant financial experience. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

1.4 Frequency of Meetings

The Committee shall meet at least three times a year at appropriate times of the reporting and audit cycle and otherwise as required.

1.5 Notice of Meetings

- 1.5.1 Meetings of the Committee shall be called by the Secretary of the Committee at the request of any of its members or at the request of external auditors if they consider it necessary.
- 1.5.2 At least 21 days' notice of any meeting of the Audit Committee shall be given, although such notice period may be waived or shortened with the written consent of all of the members of the Audit Committee for the time being. Notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee, any other person required to attend and all other non-executive directors. Supporting papers shall be sent to Committee members and to other attendees as appropriate at the same time.
- 1.5.3 Any member may validly participate in a meeting of the Audit Committee through the medium of conference telephone or similar form of communication equipment provided that all persons participating in the meeting are able to hear and speak to each other throughout the meeting. A member so participating shall be deemed to be present in person at the meeting and shall accordingly be counted in a quorum and be entitled to vote. All business transacted in such manner by the Audit Committee shall for the purposes of these Terms of Reference be deemed to be validly and effectively transacted at a meeting of the Audit Committee notwithstanding that a quorum of members is not physically present in the same place. Such a meeting shall be deemed to take place where the largest group of those participating is assembled or, if there is no such group, where the Chairman of the meeting is.
- 1.5.4 Outside the formal meeting programme, the Chairman will maintain a dialogue with key individuals involved in the Company's governance, including the Chairman of the Board, chief executive, finance director and the external audit lead partner.

1.6 Voting arrangements

- 1.6.1 Each member of the Audit Committee shall have one vote which may be cast on matters considered at the meeting. Votes can only be cast by members attending a meeting of the Audit Committee.
- 1.6.2 If a matter that is considered by the Audit Committee is one where a member of the Committee, either directly or indirectly, has a personal interest, that member shall not be permitted to vote at the meeting.
- 1.6.3 Save where, because of a personal interest he is not permitted to vote on any matter under consideration, in the case of an equality of votes for and against any matter being considered by the Audit Committee the Chairman will have a casting vote.
- 1.6.4 All decisions of the Audit Committee shall be formally reported to the Board by the Chairman. The Audit Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is

needed and shall compile a report on its activities to be included in the Company's annual report.

- 1.6.5 The recommendations of the Audit Committee must be approved by the Board before they can be implemented.

1.7 Minutes of Meetings

- 1.7.1 The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.
- 1.7.2 The Secretary should ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- 1.7.3 Minutes of Committee meetings shall be circulated promptly to all members of the Committee and, once agreed, to all members of the Board, unless a conflict of interest exists.

1.8 Annual General Meeting

The Chairman of the Committee shall attend the company's annual general meeting prepared to respond to any shareholder questions on the Committee's activities.

1.9 Duties

The Committee shall carry out the duties below for the parent, major subsidiary undertakings and the group as a whole, as appropriate.

1.9.1 Financial Reporting

- (a) The Committee shall monitor the integrity of the financial statements of the company, including its annual and half-yearly reports, interim management statements, and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain. The Committee shall also review summary financial statements, significant financial returns to regulators and any financial information contained in certain other documents, such as announcements of a price sensitive nature.
- (b) The Committee shall review and challenge where necessary:
- (i) the consistency of, and any changes to, accounting policies both on a year on year basis and across the company/group;
 - (ii) the methods used to account for significant or unusual transactions where different approaches are possible;
 - (iii) whether the company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
 - (iv) the clarity of disclosure in the company's financial reports and the context in which statements are made; and
 - (v) all material information presented with the financial statements, such as the operating and financial review and the corporate governance statement (insofar as it relates to the audit and risk management);
- (c) The Committee shall review the annual financial statements of the pension funds where not reviewed by the Board as a whole; and

- (d) where the Audit Committee is not satisfied with any aspect of the proposed financial reporting of the Company, report those views to the Board.

1.10 Internal Controls and Risk Management Systems

1. The Committee shall:
 - (a) keep under review the effectiveness of the company's internal controls and risk management systems; and
 - (b) review and approve the statements to be included in the Annual Report concerning internal controls and risk management.

1.11 Compliance, whistleblowing and fraud

2. The Committee shall:
 - (a) review the adequacy and security of the company's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action; and
 - (b) review the company's procedures for detecting fraud;
 - (c) review the company's systems and controls for the prevention of bribery and receive reports on non-compliance;
 - (d) review regular reports from the Money Laundering Reporting Officer and the adequacy and effectiveness of the company's anti-money laundering systems and controls; and
 - (e) review regular reports from the Compliance Officer and keep under review the adequacy and effectiveness of the company's compliance function.

1.12 External Audit

3. The Committee shall:
 - (a) consider and make recommendations to the Board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment and removal of the company's external auditor. The Committee shall oversee the selection process for new auditors and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required;
 - (b) at least once in every ten year period, submit the provision of external audit services to tender to enable the Audit Committee to assess and compare the quality and effectiveness of the services provided by the incumbent external auditor with those of other auditors;
 - (c) in respect of the tender process referred to at paragraph (b) above, oversee the selection process and ensure that all auditors participating in the tender have such access as is necessary to information and individuals throughout the duration of the tendering process; oversee the relationship with the external auditor including (but not limited to):
 - (i) recommendation and approval of their remuneration, whether fees for audit or non audit services and that the level of fees is appropriate to enable an adequate audit to be conducted;

- (ii) approval of their terms of engagement and remuneration, including any engagement letter issued at the start of each audit and the scope of the audit;
 - (iii) assessing annually their independence and objectivity taking into account relevant UK professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non audit services;
 - (iv) satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the company (other than in the ordinary course of business);
 - (v) agreeing with the Board a policy on the employment of former employees of the company's auditor, then monitoring the implementation of this policy;
 - (vi) monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the company compared to the overall fee income of the firm, office and partner and other related requirements; and
 - (vii) assessing annually their qualifications, expertise and resources and the effectiveness of the audit process which shall include a report from the external auditor on their own internal quality procedures;
- (d) meet regularly with the external auditor, including once at the planning stage before the audit and once after the audit at the reporting stage. The Committee shall meet the external auditor at least once a year, without management being present, to discuss their remit and any issues arising from the audit;
 - (e) review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement;
 - (f) review the findings of the audit with the external auditor. This shall include but not be limited to, the following:
 - (i) a discussion of any major issues which arose during the audit,
 - (ii) any accounting and audit judgements;
 - (iii) levels of errors identified during the audit; and
 - (iv) the effectiveness of the audit.
 - (g) review any representation letter(s) requested by the external auditor before they are signed by management;
 - (h) review the management letter and management's response to the auditor's findings and recommendations; and
 - (i) develop, recommend to the Board and keep under annual review a policy on the supply of non audit services by the external auditor, taking into account any relevant ethical guidance on the matter, including guidance issued by the Financial Reporting Council.

1.13 Reporting Responsibilities

- (a) The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities. The report shall include:

- (i) the significant issues that it considered in relation to the financial statements and how these were addressed;
 - (ii) its assessment of the effectiveness of the external audit process and its recommendation on the appointment or reappointment of the external auditor; and
 - (iii) any other issues on which the Board has requested the Committee's opinion;
- (b) The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
 - (c) The Committee shall compile a report to shareholders on its activities to be included in the company's Annual Report. This should explain to shareholders how, if the auditor provides non-audit services, auditor objectivity and independence is safeguarded.
 - (d) When compiling reports to shareholders, the Audit Committee shall exercise judgment in deciding which of those issues it considers in relation to the financial statements to be significant, provided that the Audit Committee shall, as a minimum, include within such report those matters which have informed the Board's assessment of whether the Company is a going concern. It shall not be necessary to repeat within any report by the Audit Committee to shareholders any information disclosed elsewhere in the annual report and accounts provided such information is cross-referenced in the report by the Audit Committee so as to be identifiable.

1.14 Disclosure of Information to Auditors

- (a) The Committee shall take all requisite steps to ensure that all directors are aware of their responsibilities under section 418 of the Companies Act 2006 to make the auditors aware of all relevant audit information and the Committee shall take all requisite steps to ensure that if the Committee is aware of any such information or believes that any director of the Company is aware of such information, that such information is passed to the auditors of the Company.
- (b) Relevant audit information is information needed by the Company's auditors in connection with preparing their report and might be information beyond that requested specifically by the auditors.
- (c) In order to fulfill this responsibility, the Committee shall make enquiries of all directors of the Company and of the auditors for this purpose.

1.15 Narrative reporting

If requested by the Board, review the content of the financial statements of the Company and advise the Board on whether, when taken as a whole, such financial statements are fair, balanced and understandable and provide the information necessary in order for shareholders to assess the Company's performance, business model and strategy;

1.16 Other Matters

4. The Committee shall:

- (a) have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;

- (b) be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members, and have access to sufficient resources in order to carry out its duties;
- (c) give due consideration to laws and regulations, the provisions of the Corporate Governance Code for Small and Mid-Size Quoted Companies 2013 published by the Quoted Companies Alliance, and the requirements of the **AIM** Rules for Companies published by London Stock Exchange PLC from time to time, Prospectus and Disclosure and Transparency Rules, the EU Market Abuse Regulation (Regulation 596/2014) and any other applicable Rules as appropriate;
- (d) be responsible for co-ordination of the internal and external auditors;
- (e) oversee any investigation of activities which are within its terms of reference;
- (f) to make available its terms of reference explaining clearly its role and the authority delegated to it by the Board;
- (g) arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval; and
- (h) work and liaise as necessary with other Board Committees.

1.17 Authority

The Committee is authorised:

- 1.17.1 to investigate any activity within its terms of reference;
- 1.17.2 to seek any information it requires from any employee of the company in order to perform its duties;
- 1.17.3 to obtain, at the company's expense, outside legal or other professional advice on any matters within its terms of reference;
- 1.17.4 to call any member of *staff* to be questioned at a meeting of the Committee as and when required; and
- 1.17.5 to have the right to publish in the Company's annual report details of any issues that cannot be resolved between the Committee and the Board.

1.18 Function and Duties

- 1.18.1 The Audit Committee should carry out the duties below for the Company and its wholly-owned subsidiary undertakings ("Group") as a whole, as appropriate.
- 1.18.2 The Committee shall, in conducting all of its duties in accordance with these Terms of Reference, act in a way it considers in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole. In doing so, the Committee must have regard (among other matters) to:
 - 1.18.3 the likely consequences of any decision in the long term;
 - 1.18.4 the interests of the Company's employees;
 - 1.18.5 the need to foster the Company's business relationships with suppliers, customers and others;

1.18.6 the impact of the Company's operations on the community and the environment;

1.18.7 the desirability of the Company maintaining a reputation for high standards of business conduct; and

1.18.8 the need to act fairly as between the members of the Company.

1.19 Procedure

Subject to the constitutional documents of the Company and these terms of reference, the Committee shall determine its own procedures.